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THE FIDELITY TRUST COMPANY

ANNUAL REPORT 1973

Office Locations

HEAD OFFICE

291 Garry Street, Winnipeg, Manitoba
Telephone 204-947-0211

MANITOBA BRANCHES

291 Garry Street, Winnipeg, Manitoba
Telephone 204-947-0211

1355 Main Street, Winnipeg, Manitoba
Telephone 204-586-9687

417 Academy Road, Winnipeg, Manitoba
Telephone 204-474-2459

447 Portage Avenue, Winnipeg, Manitoba
Telephone 204-942-2358

MORTGAGE DEPARTMENT

300 - 296 Garry Street, Winnipeg, Manitoba
Telephone 204-943-6583

REAL ESTATE DIVISION

417 Academy Road, Winnipeg, Manitoba
Telephone 204-452-7417

ONTARIO REGIONAL OFFICE

1000 - 11 King Street West, Toronto, Ontario
Telephone 416-364-2919

BRITISH COLUMBIA REGIONAL OFFICE

1101 West Georgia, Vancouver, British Columbia
Telephone 604-687-8671

ALBERTA REGIONAL OFFICE

605 - 610 - 8th Avenue S.W., Calgary, Alberta
Telephone 403-269-1318

ALBERTA BRANCH

12414 - 102 Avenue, Edmonton, Alberta
Telephone 403-482-5711

SASKATCHEWAN BRANCH

201 - 2114 - 11th Avenue, Regina, Saskatchewan
Telephone 306-523-8747

MEMBER CANADA DEPOSIT INSURANCE CORPORATION



Financial Highlights

	1973	1972	1971	1970	1969
Total Assets under Administration.....	95,214,055	50,095,400	26,569,403	19,388,023	14,159,105
Total Company & Guaranteed Account	36,678,503	27,915,376	22,857,801	17,707,980	13,530,109
Gross Income.....	4,272,867	3,112,603	2,309,776	1,808,065	1,128,471
Interest Paid to Depositors.....	1,940,251	1,506,815	1,302,495	1,107,561	700,097
Net Income Prior to Tax.....	1,288,966	836,000	427,175	165,183	100,706
Income Tax.....	651,000	400,500	209,427	80,384	37,283
Net Income for Year.....	637,966	435,500	217,748	84,799	63,423
Capital and Reserves.....	2,617,360	1,860,853	1,543,890	1,361,961	1,119,201
Earnings per share.....	47c	35c	18c	8c	6½c
Dividends Paid.....	7c	6c	5c	4c	—
Number of Shareholders at Year End...	348	323	263	264	265



Board of Directors

*JOHN S. McMAHON —Chairman of the Board
*ANDREW K. STEPHENS — Vice-Chairman
*NEIL C. W. WOOD — President
*DONALD H. BODEL — Executive Vice-President
*RICHARD W. SMITH — Vice-President
*EDMUND B. OSLER — Vice-President
*JAMES E. PERKINS — Secretary-Treasurer
*ROBERT H. LINDSAY — Assistant Treasurer and Comptroller
J. MALCOLM BILLINGSLEY
BRUCE H. CODVILLE
FRANK L. ERNST
ESTHER M. GENSER
JOHN KLASSEN
HARVEY A. McDIARMID
JAMES S. MCGOEY
DONALD S. PATERSON
JOSEPH C. STANGL
GORDON B. WISWELL

*Member of the Executive Committee

Auditors

GLENDINNING, JARRETT, GOULD & CO.
Chartered Accountants

Stock Exchange Listing

WINNIPEG AND VANCOUVER STOCK EXCHANGE



Directors' Report to the Shareholders

Your Directors take pleasure in presenting the Annual Report of your Company for the year ending December 31st, 1973.

1973 was the most interesting and productive year for your Company to date. Total administered assets rose to almost \$100 million of which the Company's own funds amounted to \$37 million. Pre tax earnings increased to \$1.3 million from \$836,000 in 1972.

Dividends paid to shareholders increased from 6 cents per share in 1972 to 7 cents per share in 1973. Your directors have declared a dividend of 10 cents per share payable in 1974.

During the year one new branch was opened in Edmonton, Alberta. This was started much like our previous branches, although after six months an opportunity arose to acquire a ground floor location formerly occupied by a chartered bank, and the Company commenced a full service operation at that time.

The Calgary branch, opened in December 1972, has continued to show major gains, and management are presently considering moving this branch to a ground floor location. We are extremely optimistic about the future of Alberta and continued expansion of operations within the province will be reviewed this year.

The success of the agency branch located in Regina would indicate that a full service branch in that city could be justified, and steps are being taken to implement such a move.

British Columbia continues to supply the major source of the Company's mortgage business, and in addition the many other services offered by the Company are being well received. Management are of the opinion that great potential exists within the province of British Columbia, and it is anticipated that at least one additional new branch will be opened this year.

The success of your Company within Western Canada has created the need for a closer liaison with the Eastern market; accordingly a new Ontario office has been opened in 1974. This office, located within the heart of the Toronto financial area, will become the Ontario regional office.

It is anticipated that this office will be in a position to provide an insight into the industry as a whole and relate to the Western operations. It is also expected that a study may be made with a view to the establishment of a branch system within Eastern Canada.

He Your Company has disposed of its for some time has maintained a 30% equity in Comcheg Services Ltd. After due consideration, your Management decided to dispose of this interest, and although this company continues to perform some services for your Company, we have no further equity interest.

and its Your Management disposed of its 50% interest in Nanton Building (1965) Ltd. However, the right of first refusal to occupy the main floor of this building continues.

In the case of both of these companies, a full recovery of your Company's investment was realized.

1974 has the appearance of being another good growth year for your Company. However, the keen competition within the industry both for deposits and mortgage loans is intensifying, and in order to sustain normal profit margins in the face of escalating costs an ever-increasing volume of business is essential.

The growth of your Company has placed a great burden of responsibility upon your Management as well as the directors of the Company who, in some instances, have been performing management functions without financial reward. We are pleased to welcome Mr. Donald H. Bodel to the Management of the Company. Mr. Bodel is a chartered accountant by profession, with many years experience at the senior executive level. He has recently taken over the duties of Executive Vice-President and initially will be responsible for the complete co-ordination of the various activities of your Company throughout Canada. We wish him every success in this most challenging opportunity.

During the year our most recently appointed Director, Mr. A. S. Dewar, was called to the Court of Queen's Bench in the capacity of Chief Justice. We congratulate him upon his new appointment and wish him well in his new duties.

Respectfully submitted,

N. C. W. WOOD

President and General Manager

GLENDINNING, JARRETT, GOULD & CO.

CHARTERED ACCOUNTANTS

**THE
FIDELITY
TRUST
COMPANY**

AUDITORS' REPORT

To the Shareholders,
The Fidelity Trust Company.

We have examined the balance sheet of The Fidelity Trust Company as at December 31, 1973 and the statements of income, contributed surplus, general reserve and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Glendinning, Jarrett, Gould & Co.

Chartered Accountants

Winnipeg, Manitoba,
January 29, 1974.



Balance Sheet — December 31, 1973

(with comparative figures for 1972)

ASSETS

CASH AND CERTIFICATES OF DEPOSIT

	1973	1972
Cash	\$ 199,439	\$ 132,827
Trust company and bank deposit receipts	4,968,683	1,904,811
Short term corporation notes	1,749,287	2,304,265
	<u>6,917,409</u>	<u>4,341,903</u>

INVESTMENT SECURITIES

Bonds (note 1)	5,250,795	5,221,215
Stocks, at cost (market value \$193,533; 1972 - \$311,135)	230,516	334,954
	<u>5,481,311</u>	<u>5,556,169</u>

LOANS AND ADVANCES

Mortgages, including accrued interest	23,349,050	17,106,722
Collateral loans	65,925	47,610
Accounts receivable	57,968	61,143
Advances to estates, trusts and agencies	141,547	37,193
	<u>23,614,490</u>	<u>17,252,668</u>

INCOME PROPERTY, at cost less accumulated depreciation of

\$34,540 (1972 - \$25, 584) (note 2)	566,488	572,816
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INVESTMENT IN 50% OWNED COMPANY, at cost (note 3)

—	64,000
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OTHER ASSETS

Property held for resale, at cost	—	26,823
Furniture and leaseholds, at cost less accumulated depreciation and amortization of \$74,718 (1972 - \$55,299) (note 4)	81,744	84,969
Prepaid expenses and deferred charges	17,060	16,027
Mineral rights, at nominal value	1	1
	<u>98,805</u>	<u>127,820</u>
	<u>\$36,678,503</u>	<u>\$27,915,376</u>



THE FIDELITY TRUST COMPANY

LIABILITIES		1973	1972
GUARANTEED TRUST FUNDS (note 5)			
Deposits		\$ 6,681,475	\$ 6,554,339
Guaranteed investment certificates.....		<u>26,989,629</u>	<u>19,084,061</u>
		33,671,104	25,638,400
OTHER LIABILITIES			
Accounts payable and accrued liabilities		98,167	68,324
Income taxes payable.....		<u>231,372</u>	<u>280,299</u>
		329,539	348,623
DEFERRED INCOME TAXES (note 6).....		<u>60,500</u>	<u>67,500</u>
		34,061,143	26,054,523
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (note 7)			
Authorized			
2,000,000 common shares, par value \$1 each			
Issued			
1,417,143 common shares (1,243,366 shares in 1972).....		1,417,143	1,243,366
CONTRIBUTED SURPLUS.....		62,366	18,922
GENERAL RESERVE.....		600,000	400,000
RETAINED EARNINGS.....		<u>537,851</u>	<u>198,565</u>
		<u>2,617,360</u>	<u>1,860,853</u>
		<u>\$36,678,503</u>	<u>\$27,915,376</u>

We hereby certify that to the best of our knowledge and belief the balance sheet as at December 31, 1973 and the statements of income, contributed surplus, general reserve and retained earnings for the year then ended are correct and show truly and clearly the financial condition of the Company's affairs.

N. C. W. WOOD, President
E. B. OSLER, Director
G. B. WISWELL, Director

**THE
FIDELITY
TRUST
COMPANY**

Statement of Income

FOR THE YEAR ENDED DECEMBER 31, 1973

(with comparative figures for 1972)

Revenue	1973	1972
Interest from deposit receipts, notes, loans and advances	\$2,718,970	\$1,979,818
Interest and dividends from investment securities	356,668	324,025
Fees and commissions	525,354	345,645
Other operating income	651,875	434,352
Gain on sale of investment securities	29,000	28,763
	<u>4,272,867</u>	<u>3,112,603</u>
Expense		
Interest on guaranteed trust funds and loans	1,969,388	1,506,815
Salaries, commissions and staff benefits	464,782	310,873
Other operating expenses	549,731	458,915
	<u>2,983,901</u>	<u>2,276,603</u>
Income before income taxes	1,288,966	836,000
Income taxes (note 6)	651,000	400,500
Net income for the year	<u>\$ 637,966</u>	<u>\$ 435,500</u>
Earnings per share (note 8)	<u>\$.47</u>	<u>\$.35</u>



Statements of Contributed Surplus, General Reserve and Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1973

(with comparative figures for 1972)

STATEMENT OF CONTRIBUTED SURPLUS

	1973	1972
Balance, beginning of year.....	\$ 18,922	\$ 13,157
Premium on issue of shares.....	43,444	5,765
Balance, end of year	<u>\$ 62,366</u>	<u>\$ 18,922</u>

STATEMENT OF GENERAL RESERVE

Balance, beginning of year.....	\$400,000	\$200,000
Transfer from retained earnings.....	<u>200,000</u>	<u>200,000</u>
Balance, end of year	<u>\$600,000</u>	<u>\$400,000</u>

STATEMENT OF RETAINED EARNINGS

Balance, beginning of year.....	\$198,565	\$109,427
Net income for the year	<u>637,966</u>	<u>435,500</u>
	836,531	544,927
Deduct		
Dividends paid.....	98,680	74,362
Transfer to general reserve.....	200,000	200,000
Transfer to deferred income taxes (note 6).....	<u>—</u>	<u>72,000</u>
	298,680	346,362
Balance, end of year	<u>\$537,851</u>	<u>\$198,565</u>



Notes to Financial Statements

DECEMBER 31, 1973

1. Investment securities — bonds

Investments in bonds are stated at cost plus accrued interest. Total cost, excluding accrued interest of \$71,706, is \$5,179,089 and total par value is \$5,182,000. An analysis is as follows:

	1973	1972
Canadian and provincial government and guarantees	\$3,844,305	\$3,949,859
Municipal	46,973	47,178
Corporate	1,359,517	1,224,178
	<u>\$5,250,795</u>	<u>\$5,221,215</u>

2. Income property

Depreciation is computed on the straight-line method at 3% per year and amounted to \$8,956 in 1973 and \$8,876 in 1972 and is included in other operating expenses.

3. Investment in 50% owned company

During the year the company sold its investment in Nanton Building (1965) Ltd. for \$64,000.

4. Furniture and leaseholds

Depreciation on furniture is computed on the diminishing balance method at 20% per year and amortization of leaseholds is computed on the straight-line method over the term of the leases. Depreciation and amortization amounted to \$19,419 in 1973 and \$16,913 in 1972 and are included in other operating expenses.

5. Assets held for guaranteed deposits

Included in total assets are assets held for guaranteed trust account of \$33,671,104 in 1973 and \$25,638,400 in 1972.

6. Deferred income taxes

Prior to 1972, deferred income taxes were included as part of retained earnings and during 1972 the cumulative amount of deferred income taxes of \$72,000 included in retained earnings was transferred to a deferred income tax account. Actual income taxes payable exceed the provision for income taxes by \$7,000 in 1973 and \$4,500 in 1972 because the company is required to bring back into income a portion of the special mortgage reserve previously claimed for income tax purposes.

7. Capital stock

At December 31, 1973, 129,282 (303,059 in 1972) share purchase warrants exercisable to March 31, 1974 at \$1.25 per share were outstanding and the required shares reserved.

During the year 173,777 shares were issued for cash pursuant to the exercise of warrants.

8. Earnings per share

Earnings per share figures were calculated using the weighted monthly average of shares outstanding during the respective fiscal years.

Fully diluted earnings per share were \$.43. In this calculation, the assumption was made that the share purchase warrants for the purchase of 129,282 common shares at \$1.25 had been exercised at the beginning of the year and that the funds derived therefrom had been invested to produce an annual after tax return of 5%.

THE FIDELITY TRUST COMPANY



The corner of West Georgia and Thurlow in Vancouver was beautified briefly by the presence of five pretty girls and 100 dozen carnations. The girls were distributing the flowers to secretaries in the area to call their attention to special savings incentives offered by your Company. Above, Phyllis Zapone presents Vicky Heitzman with a carnation while Jackie Waugh explains Fidelity's free "Book Bank" promotion.





Your Company office,
opened at Toronto,
in January, 1974.

